



VF Corporation

Green Bond Framework

1. PREFACE

VF Corporation (“VF” or “the Company”) has created this document (the “Framework”) to help guide the potential future issuance of Green Bonds. Any future Green Bonds that VF issues pursuant to this Framework will focus on one or more of several key environmental sustainability initiatives within the Company’s Sustainability & Responsibility agenda, including, but not limited to, (A) Sustainable Products and Materials, (B) Sustainable Operations and Supply Chain, and/or (C) Natural Carbon Sinks.

VF will seek to engage Sustainalytics, a global leader in Environmental, Social and Governance (ESG) research and verification of sustainable products, to ensure this framework is in proper alignment with the International Capital Markets Association (“ICMA”) Green Bond Principles 2018 and provide an opinion with respect to its Green Bonds.

2. BACKGROUND ON VF CORPORATION

Founded in 1899, VF Corporation is one of the world’s largest apparel, footwear, and accessories companies connecting people to the lifestyles, activities and experiences they cherish most through a family of iconic outdoor, active and workwear brands including *Vans*®, *The North Face*®, *Timberland*® and *Dickies*®. Operating in 170 countries worldwide, the company has three reportable segments: Outdoor, Active, and Work. In its fiscal year 2019, VF generated \$13.8 billion in revenue.

The Company’s own Purpose Statement is: “**We power movements of sustainable and active lifestyles for the betterment of people and our planet.**” VF strives to connect this purpose with a relentless drive to succeed to create value for all stakeholders and use the company as a force for good.

2.1 Sustainability & Responsibility at VF Corporation

As one of the world’s largest companies in its industry, VF believes it is uniquely positioned to be a catalyst for change around topics that align with its business. The Company’s “value chain” stretches from the hands of the farmers who produce raw materials to the hands of consumers who enjoy its innovations. At every step of the way, VF has an opportunity to make a positive impact and add value. From how it sources materials to where it manufactures its products and how it distributes them, VF recognizes that its choices matter. The Company is also focused on encouraging its consumers to make choices that will have a positive impact as well, including how they look after their purchases and what they do with products at end of life.

The VF Sustainability & Responsibility Strategy, '**Made for Change**' identifies three areas where there is a high need, where VF can leverage its scale and influence to create comprehensive business, social and environmental value, where it can contribute to the UN SDGs¹, and where sustainability can elevate its business: **Circular Business**, **Scale for Good**, and **Movement Makers**. A complete overview of the strategy can be found in the Company's Sustainability & Responsibility Report 2018, [here](#).

2.1.1 Circular Business

VF recognizes that "linear production" is inherently inefficient and wasteful. In a **Circular Business**, however, materials and products are kept in use as long as possible. Circular business models present an opportunity for VF to continually and meaningfully reduce its environmental impact. To that end, VF believes in doing business better: designing products to maximize their life span and using materials and processes that enable products to be deconstructed and fed back into the production cycle – time and time again. Today, VF is pioneering progress in three key areas: Circular Business Models, Second Life, and Circular Design.

VF has determined that the environmental impacts attributed to materials account for approximately 42% of the Company's total environmental footprint. Developing **circular business models** that keep these materials in use for as long as possible is key to reducing this area of the Company's footprint. VF's stated goal is to lead the large-scale commercialization of circular business models through brand-led recommerce and rental initiatives by 2030, and has already launched initiatives such as 'The North Face® Renewed' recommerce initiative, which is now active in the market.

Creating a **second life** for its products will help VF address the more than 15 million tons of used textile waste that is generated annually in the U.S. alone, a figure that is double what it was just 20 years ago. The Company is determined to change this 'throw-away' mentality. Since 2016, VF has diverted approximately 14 tons (12,700 kg) of clothing from landfill in Europe alone, and over 47 tons (42,638 kg) in 2018 globally, reducing its environmental impact and giving valuable products another life. VF has a stated goal of increasing takeback collection at Timberland® and The North Face® brand stores in Europe by 10% by 2020 from a baseline year of 2016. The target was met ahead of schedule in November 2018.

VF is also tackling the challenge of **circular design** head on, pioneering new ideas that address circular design across its products and our packaging. When designing for circularity, VF focuses on three fundamental philosophies: Design products with recycled materials; Design products to be repurposed and repaired; and Design products to be recycled. These three philosophies guide VF in creating products that retain as much value as possible by extending and re-imagining their lifecycles.

2.1.2 Scale for Good

The second key pillar of the Made for Change strategy is **Scale for Good**. VF believes that leveraging its scale and impact to protect people and the planet presents exciting opportunities: to lead its industry's charge in helping to limit **climate change**; to dramatically reduce the impact of its **materials** in a

¹ <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

resource-constrained world; and to prevent **workers** from risking their dignity, health or well-being to work in the footwear and apparel supply chain.

Priority 1: Climate Change

VF is forging a path to reduce the environmental impacts of its industry and do its part to limit **climate change**. The Company is striving to reduce its overall environmental footprint, achieve zero-waste in many facilities, shift to 100% renewable energy, advance energy efficiency and lessen its water use and impacts.

After a two-year collaborative process, in partnership with the Carbon Trust and incorporating data across the Company's owned and operated facilities as well as its entire operations from farm to retail store, VF recently announced ambitious science-based carbon emissions targets ("Science-Based Targets"), including:

- **An absolute reduction of Scope 1 and 2 greenhouse gas emissions 55 percent by 2030, from a 2017 baseline year; and**
- **An absolute reduction of Scope 3 greenhouse gas emissions 30 percent by 2030, from a 2017 baseline year focusing on farm-to-retail materials, sourcing operations and logistics.**

These targets, which were approved by the Science Based Targets Initiative (SBTi) in 2019², are consistent with global efforts to limit warming to 1.5°C by 2050, in line with meeting the goals of the Paris Agreement.

To achieve these objectives, VF's approach starts with "deep decarbonization", reducing Scope 1 and 2 emissions by incorporating energy efficiency and renewable energy sources into its supply chain. VF is also actively exploring other ways to reduce its GHG emissions – for example, using natural carbon sinks, which draw carbon from the atmosphere and store it in the ground. Regenerative farming, grazing and ranching practices provide the opportunity for potential carbon-positive materials in the future. Carbon insetting projects are also being explored, including forest management and cotton planting projects.

Priority 2: Materials

VF realizes that it is one of the largest purchasers of raw materials in its sector, and in 2018 the Company produced more than 560 million products – a significant impact and a great opportunity for positive change. Acknowledging this opportunity, VF has committed to a set of robust goals designed to drive impact reduction via the materials it uses.

The Company focuses on three areas: tracing its raw materials; shifting to more sustainable materials; and safely delivering high-performing products. VF uses Life Cycle Assessment (LCA) methodology and the Sustainable Apparel Coalition's Material Sustainability Index (MSI)³ to understand the impacts of its material choices. The data enables the VF product creation teams to make informed, scientific decisions that drive new, lower impact material usage.

² <https://sciencebasedtargets.org/>

³ <https://apparelcoalition.org/higg-msi/>

Among many ambitious materials initiatives, VF has established a goal of reducing the average environmental impact of its key materials by 35% by 2025. As part of that strategy, VF is targeting **50% of its nylon and polyester in products to come from recycled materials.**

In addition, VF recently announced its new vision for Sustainable Materials. The new sustainable materials vision is key to achieving its Science-Based Targets. As noted above, extraction, production and manufacturing of raw materials account for the largest portion of VF's carbon emissions globally. The innovative vision establishes a clear path for reduction through another bold commitment:

- **By 2030, VF commits that 100 percent of its top nine materials, which account for approximately 90 percent of its materials-related carbon emissions, will originate from regenerative, responsibly sourced renewable, or recycled sources.**

VF has already made great progress. In 2018, VF sourced 83% of its cotton as sustainably-grown cotton. Meanwhile, 11% of nylon and polyester was from recycled sources in 2018, representing a significant area of opportunity, and 34% of outdoor apparel was PFC-free in 2018. VF is also highly focused on overcoming sustainable materials challenges, including identifying sustainable alternatives to traditional water repellent chemistries while maintaining performance, developing more sustainable alternatives to virgin polyester and nylon, and innovating more sustainable packaging solutions that reduce or eliminate packaging material altogether.

The Company will assess its materials choices within these three areas, using data to identify the greatest opportunities for environmental impact reduction, and to understand how accelerating against these choices will contribute to achieving its Science-Based Targets. In addition, as VF identifies new opportunities for materials substitution to further reduce its environmental impact, it will consider updating its Green Bond Framework accordingly.

Priority 3: Responsible Sourcing & Worker Well-Being

VF's extended supply chain supports the livelihoods of more than six million people, a significant opportunity to advance health and well-being, gender equality, decent work and economic growth. VF's worker well-being aspiration is clear: for every job in its supply chain to enable its workers to live their most fulfilling life possible.

VF believes it has the opportunity to lead the way by: upholding safety in every factory, promoting universal respect for human rights, and creating benefits from our presence in worker communities. The Company sets high expectations for our supplier factories with respect to social responsibility, and collaborates with them to advance improvements and build capacity.

2.1.3 Movement Makers

VF aspires to inspire its more than 50,000 associates and millions of consumers by uniting their efforts to create a movement of sustainable and active lifestyles. The Company is elevating its actions with the third pillar of its Made for Change strategy, Movement Makers.

Here, VF focuses on three priorities:

- Impactful Work – Empowering our associates to create a positive impact through their work.
- Impactful Brands – Using the power of our brands to spark movements and inspire people to achieve large-scale change.
- Impactful Interventions – Removing barriers and creating opportunities for more people to live active and sustainable lifestyles.

2.2 UN Sustainable Development Goals

In September 2015, the UN General Assembly formally established 17 Sustainable Development Goals to be addressed by 2030. The goals set a common framework for public and private stakeholders to set their agendas and define their policies and strategies over the interim 15 years. VF embraces the principles and ambitions of the SDGs. The Company has aligned with a set of priority SDGs to which it expects to contribute through its three workstreams, as presented below:



3. GREEN BOND FRAMEWORK

For potential future Green Bonds that VF may issue pursuant to this Framework, the following guidelines have been created that follow the four core components of the Green Bond Principles 2018. With any future issuance of Green Bonds, the Company will aim to support projects that seek to promote environmental sustainability across its value chain, from the sourcing of raw materials through the manufacturing, transportation, and marketing of its consumer products.

3.1 Use of Proceeds

An amount equivalent to the net proceeds from future Green Bonds issued pursuant to this Framework will be allocated towards existing Eligible Projects, which will include new, existing, and prior investments made by VF during the period from three years prior to the date of issuance of any such Green Bonds, through the maturity date of such Green Bonds

In order to be eligible for allocation towards the Green Bond net proceeds amount, any project must fall in the respective categories outlined below. In addition, each category of Eligible Projects has been identified as aligning with the applicable SDGs.

Category 1: Sustainable Products & Materials

- i. **Investments or expenditures on identifying and/or developing innovative and more sustainable materials and/or sustainable packaging solutions, such as:**

- a. Purchases, directly or via our intermediary suppliers and product vendors, of fabric containing at least 50% recycled-content Nylon and Polyester for use in our products;
- b. Purchases, directly or via our intermediary suppliers and product vendors, of materials containing at least 80% recycled-content Paper and Corrugate for use in our products and packaging;
- c. Purchases, directly or via our intermediary suppliers and product vendors, of fabric in which the cotton content consists of organic-certified⁴ cotton or Better Cotton Initiative (BCI)-verified⁵ cotton for use in our products, based on a pro-rata allocation to the percent cotton in the fabric;
- d. Investments in packaging reduction or elimination initiatives; and
- e. Innovation expenditures and other investments that directly contribute to building the systems to create more circular product designs, such as:
 - i. Investments in chemical or mechanical recycling technologies, particularly those that can process blended fabrics and/or those that can separate and process trims and hardware;
 - ii. Investments in collection mechanisms to channel discarded products and materials into the proper recycling streams;
 - iii. Investments in training and capacity building for product designers and developers to create closed-loop products; and
 - iv. Research and development in materials innovation to enable closed-loop products

Green Bond Principles Category: *Eco-Efficient and/or Circular Economy Adapted Products, Production Technologies and Processes*

UN SDG Alignment: *SDG 12 – Responsible Consumption and Production*

Category 2: Sustainable Operations & Supply Chain

- i. Investments in, or expenditures on the acquisition, development, construction and/or installation of, renewable energy production units or energy storage units, such as:
 - a. Solar photovoltaic, thermal or other renewable energy or energy storage technology installations, including those on rooftops, parking lot structures or adjacent land of owned and/or leased properties and facilities across the supply chain;
 - b. Investment in renewable energy through transaction vehicles such as Power Purchase Agreements (PPAs), Virtual Power Purchase Agreements (VPPAs), and any other investment vehicle that provides for the procurement of renewable energy through a long-term contract (at least ten years) aligned with the GHG protocol and accepted under the auspices of RE100⁶ or SBTi.

⁴ VF obtains certification for each bale in compliance with the applicable local organic cotton standards, to ensure cotton is non-genetically modified organism (GMO) and does not contain synthetic chemicals.

⁵ <https://bettercotton.org/>

⁶ <http://there100.org/>

- ii. Investments in projects to improve the energy efficiency and/or reduce the greenhouse gas (“GHG”) footprint of our operations and supply chain, such as, but not limited to:
 - a. Variable speed drives, energy-efficient HVAC and lighting systems, and motion detector conveyor systems; and
- iii. Investments in sustainable building design features, and in buildings that receive a third-party verified certification of LEED Platinum, LEED Gold, or BREEAM Very Good or higher, including:
 - a. Construction costs for new builds, including corporate offices and distribution centers; and
 - b. Upgrade costs for renovations of existing buildings, such as energy-efficient lighting, HVAC systems, and other related projects, that lead to energy savings of at least 30%
- iv. Investments to achieve the zero-waste status⁷ for all VF’s distribution centers
- v. Upgrade costs for improvement of wastewater quality across the supply chain⁸

Green Bond Principles Category: (a) Renewable Energy, (b) Energy Efficiency, (c) Green Buildings, and (d) Sustainable Water and Wastewater Management, and (e) Pollution Prevention and Control

UN SDG Alignment: SDG 7 – Affordable and Clean Energy; SDG 9 – Industry, Innovation and Infrastructure; SDG 12 – Responsible Consumption and Production

Category 3: Natural Carbon Sinks

- i. Investments in “Natural Carbon Sinks,” which are designed to create and restore natural sources of carbon capture, such as reforestation conservation projects, and investments in regenerative farming, grazing and ranching practices

Green Bond Principles Categories: Environmentally Sustainable Management of Living Natural Resources and Land Use

UN SDG Alignment: SDG 15 – Life on Land

3.2 Process for Project Evaluation and Selection

⁷ Defined as sites that divert 95 percent or more of their waste away from disposal through recycling, composting and reuse

⁸ VF applies a Global Wastewater Policy which exceeds local laws in countries where VF does production and follows the Business for Social Responsibility (BSR) wastewater standards, which are aimed to ensure that no matter where a supplier facility is located, water use and discharge to the surrounding community is conducted responsibly (https://www.bsr.org/reports/awqwg/BSR_AWQWG_Guidelines-Testing-Standards.pdf). In addition, VF’s Policy on Legal Discharge Limits and Discharge Permit Limits requires suppliers to comply at all times with applicable legal discharge limits and applicable wastewater discharge permits. The facility will ensure its wastewater is discharged within the limits set by VF in the Global Wastewater Discharge Standards or applicable legal discharge limits and wastewater discharge permits, whichever is strictest. The VF Global Wastewater Discharge Standards in no way supersede applicable legal discharge limits.

Members of the VF Global Responsible Sourcing & Sustainability Team will assess and determine project eligibility based on the criteria described in Section 3.1. This team will recommend an allocation of the amount equivalent to Green Bond proceeds among Eligible Projects, as determined with input on project spend from various internal groups, such as supply chain, procurement, operations, and/or facilities teams, among others, to the VF Finance department. Final approval will be made by the Global Responsible Sourcing & Sustainability Team. The Global Responsible Sourcing & Sustainability Team will also provide project descriptions.

3.3 Management of Proceeds

An amount equivalent to the net proceeds from Green Bond issuances will be allocated and managed by the VF Finance department. The Finance department will track the allocation of proceeds to such projects in line with VF's internal systems.

Pending the allocation to Eligible Projects, net proceeds from Green Bond issuances may be temporarily invested or otherwise maintained in cash, cash equivalents, short-term investments, or used to repay other borrowings, among other general corporate purposes. Payment of principal and interest on the Green Bonds will be made from the Company's general funds and will not be directly linked to the performance of any Eligible Projects.

3.4 Reporting

3.4.1 Allocation Reporting

Starting one year after issuing any Green Bonds, and until full allocation of the net proceeds, VF plans to publish an annual update ("Allocation Report" or "Green Bond Report") of its disbursements towards Eligible Projects. These reports are expected to include, subject to any confidentiality considerations, additional descriptions of selected projects funded with Green Bond proceeds. Allocation Reports will be made available publicly on the VF Corporation website. These reports will be accompanied by:

- An assertion by VF management as to how much of the net proceeds amount from a Green Bond offering were allocated to Eligible Projects, including the amounts or percentages allocated to each Eligible Project Category; and
- An assurance report from a nationally recognized firm registered with the Public Company Accounting Oversight Board in respect of its examination of VF management's assertion conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

3.4.2 Impact Reporting

To the extent possible, in addition to its reporting on the allocation of Green Bond net proceeds amounts, VF intends to demonstrate the environmental impacts of the projects to which Green Bond proceeds have been allocated. Where feasible, the Company plans to report on the Key Performance Indicators (KPIs) in aggregate for Green Bond project categories, together with the aforementioned allocation status in future Allocation Report(s). Examples of possible KPIs could include:

- Sustainable Products & Materials
 - Amount of recycled Nylon purchased for use in the Company's products
 - % of recycled Nylon used (relative to total Nylon)
 - Amount of recycled Polyester purchased for use in the Company's products
 - % of recycled Polyester used (relative to total Polyester)
 - % of recycled Nylon and Polyester used in products (relative to total materials used)
 - Amount of organic or other sustainably certified cotton (e.g. BCI) for use in the Company's products
 - % of organic or other sustainably certified cotton used (relative to total cotton).
 - Amount of recycled-content Corrugate and Paper materials purchased for use in the manufacturing or packaging of the Company's products
- Sustainable Operations & Supply Chain
 - % of VF energy use derived from renewable sources
 - Total and % reduction in / avoidance of GHG emissions from energy efficient upgrades
 - % of supply chain energy use derived from renewable sources
 - # of VF buildings that are LEED Platinum or Gold certified (or BREEAM equivalent) (and % of total VF buildings)
 - Total and % reduction in / avoidance of greenhouse gas (GHG) emissions from LEED/BREEAM certified building upgrades (in metric tonnes of CO₂ equivalent)
 - Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings), and in %, from LEED/BREEAM certified building upgrades
 - % and/or # of VF distribution centers qualifying as Zero Waste
 - m³ and % savings in annual absolute amount of wastewater treated onsite and offsite
- Natural Carbon Sinks
 - Total and % reduction in / avoidance of GHG emissions from carbon sinks (in metrics tonnes of CO₂ equivalent)
 - # of acres farms or ranches with established regenerative practices by material type
 - CO₂ impact reduction potential for each project

Finally, VF will seek to include anecdotal narrative reporting, to the extent possible, on the positive environmental impacts from selected Eligible Projects receiving allocations from Green Bond proceeds.